

Thermofil Polymers (UK) Ltd

2594313

Annual report for the year ended 31 December 1997

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Directors and advisers

Executive directors

Managing Director **Y Nagasawa**

Managing Director **E Herwig**

T Fukuda
J I Davies
E Gaaloul
M C Hughes
Y Inada
I Kiyota
H Imajo

Secretary and registered office

J D Archard
New Lane
Havant
Hampshire
PO9 2NQ

Registered auditors

Coopers & Lybrand
5 Town Quay
Southampton
Hampshire
SO14 2HJ

Bankers

Barclays Bank plc

Sanwa Bank Limited

National Westminster Bank plc

Directors' report for the year ended 31 December 1997

The directors present their report and the audited financial statements for the year ended 31 December 1997.

Principal activities

The profit and loss account for the year is set out on page 6.

The principal activity of the company, thermoplastic compounding, remains unchanged from last year.

Review of business and future developments

The directors are pleased to report that after a modest profit in 1996, the company consolidated its financial position with an acceptable profit in 1997.

The investment programmes over the last two years will continue into 1998 and beyond in order to maintain customer service, internal efficiency and profitability.

Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 1997.

Research and development activities

The company is committed to research and development activities in order to secure its position in the market. Expenditure in the year is set out in note 8.

Fixed assets

Freehold land and buildings were revalued to their open market value as at 31 December 1997. Details of fixed assets are set out in notes 10 and 11.

Directors

The directors of the company who held office during the year and at 31 December 1997 were:

Y Nagasawa	
E Herwig	
T Fukuda	
J I Davies	
S Nomoto	- (resigned 26.03.97)
E Gaaloul	-
M C Hughes	-
Y Inada	- (appointed 26.03.97)
I Kiyota	- (appointed 26.09.97)
H Imajo	- (appointed 26.09.97)

Mr T Fukuda and H Imajo are resident in Japan, Mr E Gaaloul is resident in France and Mr I Kiyota is resident in Belgium.

Directors' interests

No directors held beneficial interests in the shares of the company, or other United Kingdom group companies, at 31 December 1997 or at any time during the year.

Charitable and political contributions

The contributions made by the company during the year for political and charitable purposes were:

	£
For political purposes	200
For charitable purposes	2,646
	<hr/>
	2,846
	<hr/>

Statement of directors' responsibilities

The directors are required by UK Company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

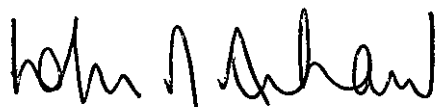
The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1997. The directors also confirm that applicable accounting standards have been followed and that the statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The company passed an Elective Resolution on 13 December 1991 to dispense with the obligation to appoint an auditor annually. In the absence of a notice proposing that the appointment be terminated, the auditors, Coopers & Lybrand, will be deemed to be re-appointed for the next financial year.

By order of the board



J D Archard
Secretary

Report of the auditors to the members of Thermofil Polymers (UK) Ltd

We have audited the financial statements on pages 6 to 19.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1997 and of its profit and total recognised gains for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors

Southampton 27 April 1998

**Profit and loss account
for the year ended 31 December 1997**

	Notes	1997 £	1996
Turnover	2	25,329,575	22,815,502
Cost of sales		(19,790,832)	(19,060,099)
Gross profit		5,538,743	3,755,403
Other operating expenses	3	(2,880,264)	(2,366,801)
Exceptional expenses	4	(517,040)	-
Operating profit		2,141,439	1,388,602
Interest payable and similar charges	7	(259,101)	(281,291)
Profit on ordinary activities	8	1,882,338	1,107,311
Amounts receivable from parent company in respect of group relief		-	25,707
Tax on ordinary activities	9	(582,721)	-
Profit for the financial year	19	1,299,617	1,133,018

The results for both years are derived from continuing operations.

Statement of total recognised gains and losses

	1997 £	1996 £
Profit for the financial year	<u>1,299,617</u>	<u>1,133,018</u>
Unrealised surplus on revaluation of properties	<u>50,000</u>	<u>-</u>
Total recognised gains and losses relating to the year	<u><u>1,349,617</u></u>	<u><u>1,133,018</u></u>

Note of historical cost profits and losses

	1997 £	1996 £
Reported profit on ordinary activities before taxation	1,882,338	1,107,311
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	<u>(35,194)</u>	<u>(35,194)</u>
Historical cost profit on ordinary activities before taxation	<u><u>1,847,144</u></u>	<u><u>1,072,117</u></u>
Historical cost profit for the year retained after taxation and dividends	<u><u>1,264,423</u></u>	<u><u>1,097,824</u></u>

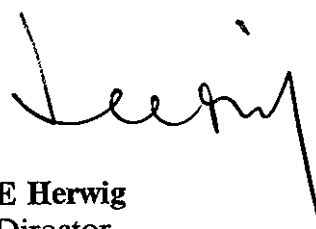
**Balance sheet
at 31 December 1997**

	Notes	1997 £	1996 £
Fixed assets			
Intangible assets	10	7,141	8,181
Tangible assets	11	8,686,350	7,903,728
		<u>8,693,491</u>	<u>7,911,909</u>
Current assets			
Stocks	12	3,134,823	2,910,682
Debtors: amounts falling due after one year	13	15,920	-
Debtors: amounts falling due within one year	13	3,658,442	4,865,427
Cash at bank and in hand		1,523	4,635
		<u>6,810,708</u>	<u>7,780,744</u>
Creditors: amounts falling due within one year	14	(6,657,017)	(7,944,233)
Net current assets		<u>153,691</u>	<u>(163,489)</u>
Total assets		<u>8,847,182</u>	<u>7,748,420</u>
Creditors: amounts falling due after more than one year	15	(2,000,000)	(2,300,000)
Provision for liabilities and charges	16	(49,145)	-
Net assets		<u>6,798,037</u>	<u>5,448,420</u>
Capital and reserves			
Called up share capital	18	5,300,002	5,300,002
Revaluation reserve	19	1,673,050	1,623,050
Profit and loss account	19	(175,015)	(1,474,632)
Equity shareholders' funds		<u>6,798,037</u>	<u>5,448,420</u>

The financial statements on pages 6 to 19 were approved by the board of directors on and were signed on its behalf by:



Y Nagasawa
Director



E Herwig
Director

24 APR 1998

Notes to the financial statements for the year ended 31 December 1997

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Fixed assets

Fixed assets are recorded at original cost or valuation less accumulated depreciation and any permanent diminution in value. Cost comprises direct expenditure incurred together with any incidental expenses of acquisition.

Expenditure on new capital projects which have not been commissioned by the accounting date is classified as capital work in progress and is transferred to the appropriate fixed asset account on completion of commissioning.

Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal asset lives used for this purpose are:

Freehold buildings (including temporary constructions)	5 - 20 years
Plant and machinery	5 - 15 years
Fixtures, fittings and equipment	5 - 15 years
Computers (included as equipment)	5 years

Profits or losses on disposal are included in the trading results for the period. Freehold land is not depreciated.

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are translated at the rates ruling when the transactions are made. Any differences on translation are dealt with as part of the trading result for the year.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Finished goods are stated at cost of production including works overheads based on the normal level of activity. Net realisable value is the price at which stocks can be sold in the normal course of business, after allowing for the cost of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods supplied.

Research and development

All expenditure on development or pure and applied research is written off as incurred.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Pension costs

The company operates a defined benefit pension scheme which is contracted out of the state scheme. The scheme is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rate. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. There are no assets held under finance leases.

Revaluation reserve

Net surpluses arising as a result of incorporating property valuations in the accounts are taken to the revaluation reserve. On disposal of a property the revaluation surplus or deficit thereon is transferred to retained profit.

Cash flow statement

The company is a wholly owned subsidiary of a UK company which prepares a consolidated cash flow statement dealing with the cash flows of the group. As a consequence the company has taken advantage of the exemptions of FRS1 not to publish a cash flow statement.

2 Turnover

The analysis by geographical area of the company's turnover by destination is set out below:

	1997 £	1996 £
Geographical segment		
United Kingdom	23,681,220	20,774,599
Europe	1,603,005	1,973,388
Other	45,350	67,515
	<u>25,329,575</u>	<u>22,815,502</u>

3 Other operating expenses

	1997 £	1996 £
Distribution costs	1,248,471	1,096,009
Administrative expenses	1,631,793	1,270,792
	<u>2,880,264</u>	<u>2,366,801</u>

4 Exceptional expenses

	1997 £	1996 £
Amount written off inter company balance	<u>517,040</u>	<u>-</u>

This relates to an amount written off the inter company balance with Thermofil Polymeres SA.

5 Directors' emoluments

	1997 £	1996 £
Aggregate emoluments	220,583	183,872

Retirement benefits are accruing to 3 directors under the company's defined benefit scheme.

Highest paid director	1997 £	1996 £
Aggregate emoluments and benefits	85,765	65,000
Defined benefit schemes:		
Accrued pension at end of year	35,990	-

6 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

	1997 Number	1996 Number
Production	73	68
Selling and distribution	10	10
Administration	18	17
Research and development	11	11
	<u>112</u>	<u>106</u>
	1997 £	1996 £
Staff costs (for the above persons)		
Wages and salaries	2,397,221	2,160,129
Social security costs	190,897	170,108
Other pension costs (see note 17)	192,639	177,447
	<u>2,780,757</u>	<u>2,507,684</u>

7 Interest payable and similar charges

	1997 £	1996 £
On bank overdraft and other loans:		
Repayable within 5 years, not by instalments	<u>259,101</u>	<u>281,291</u>

£166,360 (1996: £173,221) of this amount related to interest payable on loans from group companies.

8 Profit on ordinary activities

	1997 £	1996 £
Profit on ordinary activities is stated after crediting:		
Profit on disposal of tangible fixed assets	<u>745</u>	<u>4,277</u>
And after charging:		
Depreciation charge for the year:		
Intangible fixed assets	3,628	6,278
Tangible fixed assets	887,118	793,706
Research and development expenditure	458,234	375,846
Auditors' remuneration for:		
Audit	24,000	21,300
Other services to the company	3,300	3,200
Hire of other assets - operating leases	138,557	126,572
Provision for permanent diminution of value of buildings	<u>48,478</u>	<u>-</u>

9 Tax on profit on ordinary shares

	1997 £	1996 £
United Kingdom corporation tax at 31.5%		
Current	533,576	-
Deferred	49,145	-
Group relief receivable at 31.5% (1996: 33%)	-	25,707
	<u>582,721</u>	<u>(25,707)</u>

No tax was payable in the year ended 31 December 1996 due to group relief payable from the parent company.

10 Intangible fixed assets

	Trade marks £	Patents £	Total £
Cost			
At 1 January 1997	21,751	10,950	32,701
Additions	2,588	-	2,588
	<u>24,339</u>	<u>10,950</u>	<u>35,289</u>
At 31 December 1997			
Depreciation			
At 1 January 1997	14,180	10,340	24,520
Charge for year	3,225	403	3,628
	<u>17,405</u>	<u>10,743</u>	<u>28,148</u>
At 31 December 1997			
Net book value			
At 31 December 1997	<u>6,934</u>	<u>207</u>	<u>7,141</u>
Net book value			
At 31 December 1996	<u>7,571</u>	<u>610</u>	<u>8,181</u>

11 Tangible fixed assets

	Freehold Land and buildings £	Plant, machinery and equipment £	Capital work in progress £	Total £
Cost or valuation				
At 1 January 1997	3,808,225	6,230,621	902,294	10,941,140
Additions	-	-	1,668,507	1,668,507
Disposals	-	(28,492)	-	(28,492)
Transfers	108,867	1,390,708	(1,499,575)	-
Revaluation	(217,092)	-	-	(217,092)
At 31 December 1997	3,700,000	7,592,837	1,071,226	12,364,063
Depreciation				
At 1 January 1997	136,467	2,900,945	-	3,037,412
Charge for year	82,147	804,971	-	887,118
Eliminated in respect of disposals	-	(28,203)	-	(28,203)
Revaluation	(218,614)	-	-	(218,614)
At 31 December 1997	-	3,677,713	-	3,677,713
Net book value				
At 31 December 1997	3,700,000	3,915,124	1,071,226	8,686,350
At 31 December 1996	3,671,758	3,329,676	902,294	7,903,728
Cost or valuation at 31 December 1997 is represented by:				
Valuation in 1994	3,700,000	-	-	3,700,000
Cost	-	7,592,837	1,071,226	8,664,063
	3,700,000	7,592,837	1,071,226	12,364,063

Land and buildings were valued for the purpose of the 1997 financial statements at open market value for existing use. These valuations were made by Hellier Langstone, a firm of independent Chartered Surveyors.

If land and buildings had not been revalued they would have been included at the following amounts:

	Land and buildings 1997	1996
Cost	2,728,167	2,619,300
Aggregate depreciation based on cost	(551,578)	(434,237)
Net book value based on cost	2,176,589	2,185,063
Provision for permanent diminution in value	(255,338)	(206,860)
Net book value	1,921,251	1,978,203

Depreciation has not been charged on freehold land, which is stated at its revalued amount of £2,700,000 (1996: £2,650,000).

12 Stocks

	1997 £	1996 £
Raw materials and consumables	1,633,261	1,670,603
Work in progress	55,544	228,011
Finished goods and goods for resale	1,446,018	1,012,068
	<u>3,134,823</u>	<u>2,910,682</u>

13 Debtors

	1997 £	1996 £
Amounts falling due after more than one year		
Prepayments and accrued income	15,920	-
Amounts falling due within one year		
Trade debtors	3,526,431	4,097,167
Amounts owed by group undertakings:		
Parent or fellow subsidiary undertakings	-	648,675
Other debtors	17,525	11,990
Prepayments and accrued income	114,486	107,595
	<u>3,658,442</u>	<u>4,865,427</u>

14 Creditors: amounts falling due within one year

	1997 £	1996 £
Bank overdraft	713,279	1,546,978
Trade creditors	4,638,102	5,242,799
Amounts owed to group undertakings	89,580	593,306
PAYE and social security costs	81,465	66,608
Corporation tax	533,576	-
Other creditors	428,068	247,434
Accruals	172,947	247,108
	<u>6,657,017</u>	<u>7,944,233</u>

The bank overdraft is unsecured and repayable on demand. However the bank holds a letter of intent, as a form of guarantee, from the ultimate holding company Nippon Steel Chemical Co. Ltd and a fellow shareholder, the Nichimen Corporation.

15 Creditors: amounts falling due after more than one year

	1997 £	1996 £
Amounts owed to group undertakings	<u>2,000,000</u>	<u>2,300,000</u>

The loan facility with the parent company expires on the 31st December 1999, at which time it may be renewed. Full or part repayment may be made earlier by mutual agreement.

Interest is calculated on a monthly basis on the agreed balance at the beginning of the month using the base rate plus 0.75%.

16 Deferred taxation

	Amount provided		Amount unprovided	
	1997 £	1996 £	1997 £	1996 £
Tax effect of timing differences because of:				
Excess of capital allowances over depreciation	83,739	-	-	-
Other	(34,594)	-	-	-
Revaluations	-	-	150,327	-
	<u>49,145</u>	<u>-</u>	<u>150,327</u>	<u>-</u>

17 Pension and similar obligations

The company operates a defined benefit pension scheme for its employees. The assets of the scheme are held in a separate trustee administered fund.

The total pension cost for the company was £192,634 (1996: £177,447). The pension cost is assessed in accordance with the advice of an independent qualified actuary using the Projected Unit method.

The latest actuarial valuation was at 6 April 1995. The assumptions that have the most significant effect on the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It is assumed that the investment return would be 9% per annum, that salary increases would average 7% per annum and that future pensions would increase at the rate of 5% per annum (3% per annum for the Guaranteed Minimum Pension element).

At the date of the latest actuarial valuation, the market value of the assets of the scheme was £3,289,171 and the actuarial value of the assets was sufficient to cover 100% of the benefits which had accrued to members, after allowing for expected future increases in earnings. The contributions of the company and employees will remain at 10% and 3% of pensionable salary respectively.

18 Called up share capital

	1997 £	1996 £
Authorised		
8,000,000 ordinary shares of £1 each	<u>8,000,000</u>	<u>8,000,000</u>
Allotted, called up and fully paid		
5,300,002 ordinary shares of £1 each	<u>5,300,002</u>	<u>5,300,002</u>

19 Reserves

	Revaluation Reserve £	Profit and loss account £
At 1 January 1996	1,623,050	(1,474,632)
Profit for the year	-	1,299,617
Revaluation of land	50,000	-
At 31 December 1997	<u><u>1,673,050</u></u>	<u><u>(175,015)</u></u>

20 Capital commitments

	1997 £	1996 £
Future capital expenditure		
Contracted but not provided for	<u>127,674</u>	<u>22,381</u>

21 Financial commitments

At 31 December 1997 the group had annual commitments under non-cancellable operating leases as follows:

	1997 £	1996 £
Expiring within one year	7,409	12,488
Expiring between two and five years inclusive	72,359	81,823
	<u>79,768</u>	<u>94,311</u>

22 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Opening shareholders' funds	5,448,420	4,315,402
Profit for the financial year	1,299,617	1,133,018
Profit for the financial year	50,000	-
	<u>6,798,037</u>	<u>5,448,420</u>

23 Related party transactions

The company has taken the exemption under FRS8 not to disclose intra-group transactions.

24 Ultimate and immediate parent companies

The directors regard Nippon Steel Chemical Co., Ltd, a company registered in Japan, as the ultimate parent company and NS & N (UK) Ltd, a company registered in England and Wales, as the immediate parent company. According to the register kept by the company, NS & N (UK) Ltd has a 100% interest in the equity capital of Thermofil Polymers (UK) Ltd at 31 December 1997.